

ATTACHMENT B

(Excerpts from Amended and Restated Credit Agreement dated as of June 3, 2005 between American States Water Company and Wells Fargo Bank, National Association)

Interest Rate Provisions

(1) Except as otherwise provided in [the Credit Agreement], the unpaid principal amount of any Alternate Base Rate Advance shall bear interest at a fluctuating rate per annum equal to the Alternate Base Rate plus the Applicable Base Rate Margin.

(2) Except as otherwise provided in [the Credit Agreement], the unpaid principal amount of any Eurodollar Rate Advance shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Advance plus the Applicable Eurodollar Rate Margin.

(3) If any installment of principal or interest ... is not paid when due, it shall bear interest at a fluctuating interest rate per annum at all times equal to the sum of the interest rate otherwise applicable thereto ... (or, if no interest rate is otherwise applicable thereto ...), the Applicable Base Rate plus 2.00%.

Definitions

“Alternate Base Rate” means, as of any date of determination, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the higher of (a) the Prime Rate in effect on such date and (b) the Federal Funds Rate in effect on such date plus ½ of 1% (50 basis points).

“Applicable Base Rate Margin” means, with respect to any Alternate Base Rate Advance, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

<u>Applicable Pricing Level</u>	<u>Margin</u>
I	0
II	0
III	0
IV	0
V	0

“Applicable Eurodollar Rate Margin” means, with respect to any Eurodollar Rate Advance, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

<u>Applicable Pricing Level</u>	<u>Margin</u>
I	50.0
II	62.5
III	75.0

IV	87.5
V	100.0

“Applicable Pricing Level”¹: means, for each Pricing Period the pricing level set forth below opposite the Debt Rating achieved by American States Water Company (“AWR”) as of the first day of that Pricing Period:

<u>Pricing Level</u>	<u>Debt Rating</u>
I	Greater than or equal to A1/A+
II	Less than A1/A+ but greater than or equal to A2/A
III	Less than A2/A but greater than or equal to A3/A-
IV	Less than A3/A- but greater than or equal to Baa2/BBB
V	Less than Baa2/BBB

“Eurodollar Base Rate” means with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, the interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) at which deposits in Dollars are offered by the Eurodollar Reference Lender to prime banks in the Designated Eurodollar Market at or about 10:00 a.m. local time in the Designated Eurodollar Market, two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period in an aggregate amount approximately equal to the amount of the Advance to be made by the Eurodollar Reference Lender comprising part of the Borrowing and for a period of time comparable to the number of days in the applicable Eurodollar Period.

“Eurodollar Rate” means, with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of one percent) determined pursuant to the following formula: (i) the Eurodollar Base Rate, divided by (ii) 1.00 minus the Eurodollar Reserve Percentage.

“Eurodollar Reserve Percentage” means, with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, the maximum reserve percentage (expressed as a decimal, rounded upward, if necessary, to the nearest 1/100th of one percent) in effect on the Eurodollar Base Rate for the Borrowing of which such Eurodollar Rate Advance is a part is determined (whether or not such reserve percentage is applicable to any Lender) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “eurocurrency liabilities”) having a term comparable to the Eurodollar Period for the Eurodollar Rate Advance.

“Federal Funds Rate” means, as of any date of determination, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, “H.15(519)”) for such date opposite the caption “Federal Funds “(Effective)”. If for any relevant date such rate is not yet published in H.15(519), the rate for such date will be the rate set forth in the daily statistical release

¹ As of October [], 2007, AWR was rated A- by Standard & Poor’s Ratings Agency Group (“S&P”).

designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such date under the caption "Federal Funds Effective Rate". If on any relevant date the appropriate rate for such date is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such date will be the arithmetic mean of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that date by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

"Prime Rate" means the rate of interest most recently announced within Wells Fargo, at its principal office in San Francisco, California, as its "prime rate". The "prime rate" is one of several base rates used by Wells Fargo and serves as the basis upon which effective rates of interest are calculated for loans and other credits making reference thereto. The "prime rate" is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate.